

State of Vermont

2011 Flexible Benefits Plan Reference Guide



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QUICK NOTES:

- ASIFlex is the new administrator of the State of Vermont’s FSA program, effective for the 2011 plan year. You will continue to submit 2010 plan year reimbursement requests to FBMC through March 31st, 2011.
- Open Enrollment runs from November 1, 2010 through November 30, 2010. To enroll you must submit an enrollment form (found online at <http://humanresources.vermont.gov/benefits>).
- You are required to re-enroll in the Health Care and/or Dependent Care FSA for 2011, even if you do not want your deduction amount to change.

INTRODUCTION

A Flexible Spending Account (FSA) is an employer-sponsored plan that lets you deduct dollars from your paycheck before they are taxed and put them into a special account.

FSA accounts are exempt from federal income taxes, Social Security (FICA) taxes and, in most cases, state income taxes. FSA participation will impact earnings reported to the Social Security Administration. In accordance with Internal Revenue Code Section 125, allowable premiums for health and dental insurance are currently taken on a pre-tax basis. The more money you put in, the more tax you avoid. When you use the money in your account to pay for out-of-pocket family care expenses, you avoid paying taxes on those dollars. Depending on your tax bracket, you can save up to 40% on out-of-pocket family care expenses.

How does the FSA work?

When you enroll in the FSA plan, you estimate the amount of family care expenses you are sure you will incur during the plan year. You have that amount deducted from your paychecks in equal amounts throughout the year. Though your actual salary remains the same, your taxable salary as reported to the government is reduced by the amount you put into your FSA.

After you enroll in the FSA, ASIFlex will send you a confirmation of your enrollment and reimbursement forms to your home address. As you incur eligible expenses throughout the plan year, you submit a Reimbursement Form (by fax or mail) along with documentation of the expense, and you are reimbursed with funds from your FSA account. You are not taxed on these reimbursements. After each claim, you will receive an account summary.

Of course, only costs of purchases made or services provided during the plan year - -, provided you are a participant, are eligible for reimbursement. The IRS rules says that if you don't use all of the money in the account when the plan year is up, those funds will no longer be available to you.

You can only change your election during the plan year as a result of certain eligible event changes. Also, your Social Security benefits calculations will be based on your lower taxable earnings figures. (You can check with your local Social Security office to explore any effects this may have on your benefits – which are usually very minor.)

The State of Vermont has hired ASIFlex to perform certain administrative functions for the Plan. ASIFlex processes all claims for the Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account. If you have any questions concerning claims, please contact ASIFlex, P. O. Box 6044, Columbia, MO 65205, 800-659-3035, email: asi@asiflex.com, or on-line at www.asiflex.com.

ESTABLISHING AND USING YOUR HEALTH CARE FLEXIBLE SPENDING ACCOUNT

Estimate your family's annual out-of-pocket health care expenses. You may include expenses for anyone who is a qualified dependent for tax purposes. (There are exceptions for the expenses of children of divorced parents. Please call ASIFlex at 1-800-659-3035 for further information.) When calculating your annual election, include predictable expenses only.

Annual Maximum \$5,000

Annual Minimum \$130

Qualifying Health Care Expenses include all medical, dental and vision expenses not covered or not reimbursed by insurance which are **incurred by you or your eligible dependent (definition available at www.asiflex.com) during the Plan Year** - for health care as defined in Section 213(d) of the Internal Revenue Code. Please refer to the following list and IRS Publication 502 (available at www.asiflex.com) for further details on qualifying expenses. **Expenses qualify for the health care FSA based on when they are incurred, not when they are paid. Federal regulations do not allow any insurance premiums or long-term care expenses to be included under the FSA.** Please contact ASIFlex at asi@asiflex.com, (800) 659-3035 if you have any questions regarding particular expenses.

Below is a partial listing of qualified health care expenses. Expenses can only be claimed based on the date incurred regardless of the date you are billed or pay for the expense.

- Deductibles
- Co-pays
- Doctor's fees
- Dental expenses
- Vision care expenses
- Prescription glasses
- Contact lenses and solutions
- Corrective eye surgery
- Prescription drugs
- Chiropractor's fees
- Medical equipment
- Over-the-Counter drugs & medicines (**effective January 1, 2011, require a prescription**)
- Insulin
- Orthodontia/braces (See details on page 3)
- Routine physicals
- Hearing aids including batteries
- Transportation expenses related to illness

Non-Qualifying Health Care Expenses

This is a **partial** list of related items that **do not** qualify under the Plan. There may be other items that do not qualify that are not listed here.

- Cosmetic procedures; e.g. face-lifts, skin peeling, teeth whitening, veneers, hair replacement, removal of spider veins
- Clip-on or non-prescription sunglasses
- Warranties & insurance premiums
- Toiletries
- Long-term care expenses
- Medicines, drugs, herbs, or vitamins for general health and not used to treat a medical condition
- Expenses that are merely beneficial to your general health (e.g., vacations)
- Health club dues

NOTICE - Changes due to the Patient Protection and Affordable Care Act (PPACA)

The federal health care reform bill passed in March, 2010 states that as of January 1, 2011, over the counter (OTC) drugs and medicines will only be reimbursable through your Health

Care FSA if you have a valid prescription. See the list below for examples of OTC medicines. Insulin still qualifies for reimbursement without a prescription.

Participants will be able to submit claims for eligible OTC medicines purchased without a prescription prior to January 1, 2011. Such claims can be filed through March 31st, 2011 for the 2010 plan year.

Equipment, supplies, and diagnostic devices such as bandages, hearing aid batteries, blood sugar test kits, etc. will remain eligible for reimbursement without a prescription.

Following is a list of examples of OTC medicine categories no longer eligible for reimbursement without a prescription after January 1, 2011:

Acid Controllers	Allergy & Sinus
Anti-Diarrhea Products	Anti-Gas Products
Anti-Itch & Insect Bite Products	Baby Rash Ointments
Cold Sore Remedies	Cough, Cold & Flu Products
Digestive Aids	Hemorrhoid Remedies
Laxatives	Motion Sickness
Pain Relievers	Respiratory Treatments
Sleep Aids & Sedatives	Stomach Ailment Remedies

If you use the Benny Card at merchants that have implemented the Inventory Information Approval System (IIAS), you will not be able to pay for OTC medicine with the Benny Card, even if you have a prescription on file with ASIFlex. You will be required to submit a reimbursement request, along with a copy of the prescription and the cash register receipt in order to be reimbursed for these expenses.

Orthodontic expenses Is orthodontic treatment reimbursable?

Orthodontic treatment designed to treat a specific medical condition is reimbursable through your Medical Expense FSA if the proper documentation is provided:

- a written statement, bill or invoice from the treating dentist/orthodontist showing the type and date the service was incurred, the name of the eligible individual receiving the service, the cost for the service and
- a copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment (only required if a participant requests reimbursement for the total program cost spread over a period of time).

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. If you have questions about qualifying orthodontic expenses, please contact ASIFlex at 1-800-659-3035 prior to enrollment in the plan.

Enroll in the Health Care Flexible Spending Account Plan. Your annual election will be divided by 26, the number of paychecks from which a deduction will be taken during the plan year, to get your per paycheck deduction. New employees should contact the Employee Benefits Unit for an enrollment form and assistance with enrollment.

Receive health care services. A health care expense is **incurred** when the services are provided that create the expense. You must receive the services before you file a claim for those services.

File claims. After you have received the health care services and know the amount of your responsibility for the bill, you may submit a claim for those expenses to ASIFlex. See **Flexible Spending Account Claims** on page 12 for details on claims filing. Extra claim forms are available over the Internet at www.asiflex.com.

Receive reimbursements. ASIFlex will review your claim, and if approved will reimburse you for the medical expenses within one day of their receipt of the claim.

Payment from your Health Care Flexible Spending Account will be made up to the approved amount of your claim or your remaining annual election, whichever is less. Payment is not limited to the amount in your account at the time of your claim. Your per pay contributions will continue for the remainder of the Plan year.

Participants on unpaid leave. To maintain coverage, you must make arrangements prior to going on unpaid leave with Employee Benefits to pay for coverage after you return from unpaid leave. If you have been on unpaid leave for longer than 30 consecutive days and did not elect to catch up contributions when you return, the election and corresponding coverage will be revoked (effective on the last day worked). Once your coverage is revoked, your Benny Card will be immediately suspended.

A new election may be made upon return to work, effective for coverage the next pay period following approval of the submitted form. However, no coverage will exist for months in which no contributions were made if the participant had not elected to catch up contributions prior to the end of the 30 days. There will be a hold put on a participant's account (no claims will be paid) if contributions are not received on two consecutive payrolls and no leave form has been filed with the Employee Benefits Unit.

Other Considerations Regarding the Health Care Flexible Spending Account

Coverage Continuation (COBRA). To the extent required by COBRA, a participant or his/her spouse or dependent may elect to continue the coverage elected under the Health Care Flexible Spending Account Plan even though the participant's or his/her spouse's or dependent's election to receive benefits expired or was terminated, under the following circumstances:

- 1) Death of the participant;
- 2) Termination (other than for gross misconduct) or a reduction in hours*;
- 3) After retirement*;
- 4) Divorce of the participant;
- 5) A dependent child ceases to be a dependent under the terms of this plan.

* Please see Termination/Retirement on page 13 for additional details related to coverage and reimbursement.

When the Plan is notified that one of the events has occurred, the right to choose **continuation coverage** will be provided to each eligible person(s) if, on the date of the qualifying event, the participant's remaining benefits for the current Plan Year are greater than the participant's remaining contribution payments. The right to elect to continue ends 60 days from the date the notice of the right to continue coverage is provided by the Administrator. It is the responsibility of the participant or a responsible family member to inform the Employee Benefits Unit of the occurrence of an event described in 3 or 4 above.

Continuation coverage will not extend beyond the end of the current Plan Year but may terminate earlier if the premiums are not paid within 30 days of their due dates. **Payments for expenses incurred during any period of continuation shall not be made until the contributions for that period are received by the Administrator.** An administrative charge of 2% is assessed for each premium paid for continuation coverage.

USE THE BENNY CARD (FSA DEBIT CARD) TO PAY FOR YOUR HEALTH CARE EXPENSES

The Benny Card provides a convenient method to pay for out-of-pocket health care expenses for you, your spouse and/or any tax dependents. The IRS has stringent regulations regarding appropriate use of the Benny Card, such as **where the card can be used**, and **when follow-up documentation is required (use of the Benny Card DOES NOT necessarily eliminate all of the paperwork)**. The Benny Card is a great benefit, but it is important that you take a moment and understand how it works.

Where can the card be used?

Per IRS regulations, the Benny Card can only be used at Health Care Providers (based upon the Merchant Category Code) and at stores that have implemented an Inventory Information Approval System (IIAS).

- 1) Health Care Merchant Category Codes (MCC):** Every merchant that accepts credit cards has an MCC, which is a general category that is assigned when the merchant applies for the right to accept credit cards. The FSA debit card will work to pay providers that have an MCC that indicates the merchant is a health care provider (hospital, doctor, dentist, optometrist, chiropractor, etc.).
- 2) Inventory Information Approval System (IIAS):** The IRS also allows the Benny Card to be used at retail stores that have IIAS in place. IIAS restricts purchases with your FSA Benny Card to eligible expenses, and you will never be prompted for follow-up documentation for purchases at these stores. Please note that if you have a medical condition that allows you to claim expenses that are not normally eligible, the Benny Card will not be able to pay for these expenses at these stores. You will have to pay with a separate form of payment and submit a claim. The Benny Card will work at these stores, even if the MCC does not indicate it is a health care provider. **However, you will not be able to pay for OTC drugs or medicines with the Benny Card, even if you have a prescription.**

A list of stores with this system in place now (and some expected in the future) is available online, at www.asiflex.com/debitcards. **Purchases at these stores will never require follow-up documentation!!** Please note that as of July 1, 2009, IRS regulations require all pharmacies to have the IIAS in place, or your card may be declined at the point-of-sale.

When do I have to turn in paperwork?

Benny Card transactions can be accepted by the FSA administrator without any follow up if the merchant is an acceptable merchant type such as a physician's office or hospital and at least one of three other criteria are met. Transactions are electronically substantiated if:

- ✓ The dollar amount of the transaction at a health care provider equals the dollar amount of the co-payment or any combination of any known co-pays up to five times the highest known co-pay, for the **employer-sponsored** health, vision or dental plan that participant has elected;
- ✓ The expense is a recurring expense that matches expenses previously approved as to amount, provider, and time period (e.g., for an employee who pays a monthly fee for orthodontia at the same provider for the same amount); or
- ✓ The merchant maintains a compliant Inventory Information Approval System (IIAS) for over-the-counter supplies (e.g. Band-aids, contact lens solution, etc.) and

prescription medication (this system restricts purchases with the Benny Card to FSA-eligible expenses).

Any transaction that does not meet the above criteria will prompt a request for follow-up documentation.

What happens if my spouse works for someone else and has different copays?

IRS regulations state that unless your Benny Card purchase matches a co-payment for the State of Vermont plan that you have selected, you will be required to submit supporting documentation to ASIFlex to confirm what you have paid for. The only exception to this rule is if you have used the card at the same provider for the same amount, and already submitted documentation for this purchase one time.

What happens if I don't submit requested documentation?

As detailed above, there are times when you may use the Benny Card to purchase FSA eligible items or services and additional documentation will be required to substantiate the transaction, in accordance with IRS Regulations. When follow up documentation, or a statement of services is required, ASIFlex will send you an e-mail or letter requesting this documentation. The requested information should include the following information: name of provider, name of member (or member's spouse or dependent), date the service was provided, brief description of the service(s) provided, and the amount that was your responsibility.

ASIFlex will send the initial request for follow up documentation within a few days of the Benny Card transaction. Should you not comply with the request, ASIFlex will make a second request in approximately three weeks. Should you not comply with the second request, a third notice will be sent to you stating that the Benny Card has been "suspended" because the requested documentation was not received by ASIFlex.

When you use the Benny Card for a transaction requiring documentation, those dollars are identified as "overpaid" within your FSA account until the transaction is substantiated. If you submit a manual claim before the Benny Card transaction is substantiated, the dollars associated with the manual claim will be used to offset the overpaid dollars from the Benny Card transaction. This will prevent the manual claim from being reimbursed in part, or in full, depending upon the dollar amount of the manual claim. Once the Benny Card transaction is substantiated, the manual claim used to offset the Benny Card transaction will be reimbursed in full. See the following examples for further explanation:

Example 1: Lisa pays her eye doctor \$250 for contacts using her Benny Card. ASIFlex sends Lisa a notice asking for follow-up documentation for the \$250 purchase. Prior to submitting the detailed statement from her eye doctor, Lisa submits a manual claim to ASIFlex for a \$100 prescription which she paid for out-of-pocket. ASIFlex will process the \$100 claim but no payment will be issued that day. Instead, the amount of the manual claim will be used to offset the Benny Card transaction. This will result in ASIFlex showing Lisa's overpaid amount reduced from \$250 to \$150. Two weeks later Lisa submits the follow up documentation for the Benny Card transaction used to purchase the contacts to ASIFlex. ASIFlex will then process the supporting documentation for \$250 and Lisa will be issued a payment of \$100 for her manual prescription claim.

Example 2: John goes to the dentist and pays \$200 for a root canal with his Benny Card. He then receives a notice from ASIFlex requesting follow up documentation. John submits the statement of services from his dentist along with the notice received from ASIFlex. ASIFlex reviews and processes the follow up documentation to substantiate the claim. John's FSA account will no longer be showing as "overpaid" since all follow up documentation was submitted.

If you are unable to provide documentation for a Benny Card transaction in question, you may submit expenses incurred out-of-pocket to offset the Benny Card transaction. The expenses that are incurred out-of-pocket must not be paid for using the FSA Benny Card.

Should you neglect to submit the requested documentation and the plan year comes to a to an end (following the Plan's provision for documentation to be submitted by April 15), ASIFlex will provide notice to the State of Vermont that the claim was not substantiated within the plan year as required by IRS Regulations.

If you do not provide requested documentation and leave State of Vermont employment or retire, a modified W-2 will be provided to you and these funds will be reported to the IRS as earnings for which taxes must be paid. See the following example for further explanation:

Example: Lori's daughter Carrie goes to the dentist to receive a crown. Lori uses her Benny Card for the \$750 expense. Lori terminates employment the following week. ASIFlex sends Lori three notices requesting follow up documentation, and receives no response. At the end of the plan year (following the grace period provision to April 15) ASIFlex will notify the State of Vermont of the overpayment. The State of Vermont will then issue an amended W-2, to the member and to the IRS that will report the \$750 overpayment as taxable income.

How do I request a Benny Card?

You can request to receive a Benny Card completing the Benny Card application form found on the Flexible Spending Account page of the DHR Employee Benefits website. Generally, it takes about two weeks to receive the card once it has been requested.

Can I request additional Benny Cards?

Yes. Everyone who requests a card will receive two Benny Cards in the mail. If you would like additional cards, they are available by emailing ASIFlex directly at asi@asiflex.com and placing your request.

I had a Debit Card for 2010, and re-enrolled in the FSA for 2011. Will my 2010 card still be valid?

No. The 2010 FSA debit card was issued by FBMC and will be deactivated as of December 31, 2010.

Can I use the Benny Card to pay for OTC medicine at stores that have implemented IIAS if I have a prescription on file with ASIFlex?

No, you will not be able to pay for OTC medicine with the Benny Card, even if you have a prescription on file with ASIFlex. You will be required to submit a reimbursement request, along with a copy of the prescription and the cash register receipt in order to be reimbursed for these expenses.

ESTABLISHING AND USING YOUR DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

Estimate your total dependent care expenses for the Plan Year. Include predictable expenses only.

Annual (household) Maximum \$5,000

Annual Minimum \$130

You and your spouse together may include up to \$5,000.00 per year (\$2,500 in the case of a married individual filing a separate tax return for the plan year) or the lesser of your or your spouse's earned income for the plan year. In the case of a spouse who is a full-time student at an educational institution or is physically or mentally incapable of caring for himself or herself, such spouse shall be deemed to have earned income of \$250 per month if you have one dependent and \$500 per month if you have two or more dependents.

A Qualifying Individual is your Dependent who is under the age of 13 (when services are incurred) or your Spouse or an older Dependent who is mentally or physically incapable of self-care who lives in your home at least 8 hours each day. If you are divorced, the Qualifying Individual must be your son or daughter for whom you have more than 50% physical custody. Please call ASIFlex before enrolling in this account if you have unique day care or joint custody arrangements. Be sure to notify the Employee Benefits Unit within 60 days of a change in eligibility of a qualifying individual if you need to change your election.

A Qualified Provider can provide care in your home or outside your home. If the care is provided outside your home and the facility cares for more than 5 individuals, then it must be licensed by the State. The expenses **may not** be paid to your spouse, a child of yours who is under the age of 19 at the end of the year in which the expenses are incurred, or to an individual for whom you or your spouse is entitled to a personal tax exemption as a dependent.

The Dependent Care Flexible Spending Account is an alternative to taking a "Tax Credit" allowed with your tax filing each year. You may receive a tax break on your expenses, but you must choose whether to use the "Tax Credit" or the "FSA". The IRS will not allow you to receive two tax breaks on the same expenses.

- A **Tax Credit** is allowed for child/dependent care expenses of up to \$6,000 per year for two or more dependents (\$3,000 per year for one dependent). You file for the "tax credit" on your annual tax return, at the end of the year. The credit is an amount equal to your dependent care expenses multiplied by a percentage determined by your combined adjusted gross income. The percentage decreases from a high of 35% to a low of 20% as your income increases.
- The **Dependent Care Flexible Spending Account** Plan allows a tax break on up to \$5,000.00 per year, \$2,500 if married filing separately, for any number of dependents; one, two, or more. You will experience "tax savings" throughout the year with every paycheck you receive. Employees who pay federal taxes of 15%, state taxes of approximately 6% and Social Security taxes of 7.65% would save around 28% of expenses through the Dependent Care Flexible Spending Account Plan. As their federal tax percentage rises, they would receive an even higher tax break by using the Dependent Care Flexible Spending Account Plan.

Generally those employees with a combined family income over \$31,000 will have a higher percentage tax break through the Dependent Care Flexible Spending Account Plan. Those employees with a combined income under \$31,000 generally will have a higher percentage tax break using the Tax Credit. **Please contact your tax advisor if you have questions about which is better for you.**

You are required to file Schedule 2 with your IRS Form 1040A or **Form 2441** with your IRS Form 1040 to support the amount redirected for the calendar year. This is for informational purposes. You will not pay taxes on the redirected amount. Payments made to you under this category are not taxable, but the amount redirected will appear on your W-2 form which informs the IRS that you have received a tax break on that expense.

Qualifying Dependent Care Expenses

Qualifying Child/dependent care expenses are those that you incur in order for you and your spouse (if married) to be gainfully employed that are considered to be employment-related expenses under Internal Revenue Code §21(b) (2) to the extent that you or another person (if any) incurring the expense is not reimbursed for the expense through any other Plan. Only expenses incurred for care and well-being qualify for this tax break (Kindergarten, summer school and private school expenses, food and transportation do not). Day camp fees incurred in order for you to work are allowable but overnight camps are not. Refer to IRS Publication 503 (available at www.asiflex.com) for additional information. The purpose of Publication 503 is to assist people with their income tax filing. It does not address Dependent Care Flexible Spending Account Plans. However, most of the items listed as eligible for the tax credit in 503 can be claimed through your Dependent Care Flexible Spending Account. You **can only claim expenses based on the date incurred (not paid as stated in 503)**. Please contact ASIFlex at asi@asiflex.com, (800) 659-3035 if you have any questions regarding particular expenses.

Qualifying Expenses are those that enable you to be gainfully employed including:

- Daycare centers
- Day camps
- Babysitters
- Nannies

Non-Qualifying Dependent Care Expenses

This is a **partial** list of items that **do not** qualify under the plan. There may be other items that do not qualify that are not listed here.

- Care that is not incurred in order for you to work or look for work
- Kindergarten or other educational expenses
- Amounts paid to your spouse or dependent or to your (or your spouse's) son or daughter who is under 19 years old at the end of the year
- Food, transportation or activity fees
- Care for a child for whom you have 50% or less physical custody
- Care for a child age 13 or older who is not disabled
- Child support payments
- Elder daycare for a dependent with gross income over the Federal exemption limit
- Overnight camps

Enroll in the Dependent Care Flexible Spending Account Plan. See the separate open enrollment checklist for detailed open enrollment instructions. Your annual election will be divided by 26, the number of paychecks from which a deduction will be taken during the plan year, to get your per paycheck deduction. New employees should contact the Employee Benefits Unit for an enrollment form and assistance with enrollment.

Participants on Paid or Unpaid Leave. Dependent Care expenses are not eligible for reimbursement during a period of leave. Because of this, you may choose to have your deductions stopped prior to going on a paid leave. When you return to work, you will have 60 days to reinstate your coverage with the same or a new annual election.

Receive dependent care services. Dependent care expenses are **incurred** when the day care is provided. You must receive the dependent care services before you file a claim for those services.

File claims. After you have received the dependent care services, you may submit a claim for those expenses to ASIFlex. Extra claim forms are available by contacting ASIFlex or online at www.asiflex.com.

You may have the dependent care provider complete the dependent care section of the claim form and sign on the line provided in lieu of providing separate documentation for dependent care claims.

The tax identification number or Social Security number of the child/dependent care provider should be listed on each of your claim forms. You must provide this number with your federal income tax return. Please check with your childcare provider (**before** enrolling in this category) to be sure that you are able to obtain their tax I.D. number or his/her Social Security number.

Receive reimbursements. ASIFlex will review your claim, and if approved will reimburse you within one business day of their receipt of your claim up to the amount you have on deposit in your account. If your claim exceeds your available funds, the difference will be recorded and paid as funds become available from payroll.

Payment from your Dependent Care Flexible Spending Account will be made up to the approved amount of your claim or your current balance, whichever is less. Any portion of your claim which is not paid will be paid automatically as money is contributed from payroll. Total payments for the year are restricted to your annual election.

ENROLLMENT

Eligibility: All permanent part-time and full-time employees are eligible to participate in this Plan on the 1st day of employment.

The Plan Year is the twelve-month period from January 1 through December 31 of the same calendar year.

Open enrollment is normally held in November prior to the beginning of the Plan Year. Check with Employee Benefits for the exact dates. You may enroll during open enrollment each year for the upcoming Plan Year. You may also enroll during the plan year if you experience a qualifying change in status and enrollment corresponds with a change in eligibility caused by that status change. See the **Making a Change Section** for more information. The Health Care Flexible Spending Account Plan and the Dependent Care Flexible Spending Account Plan have slightly different rules regarding making an election change or enrolling mid-year. Forms are available from the Employee Benefits Unit.

New employees have coverage effective the first pay period after completing the enrollment form. You enroll by completing an enrollment form available from Employee Benefits. Enrollment forms should be sent by the first of the month preceding the date of eligibility to ensure timely enrollment. If you fail to enroll within the time period described above, then you may not elect to participate in the Plan until the next Open Enrollment Period or until an event occurs that would justify a mid-year election change.

Enrollment during the plan year is effective the first day of the pay period following the receipt and approval of an enrollment form.

MAKING A CHANGE

Except as specified in this section, your election under the Plan is irrevocable for the Plan Year. It is the employee's responsibility to file a change with the Employee Benefits Unit. The election change request must be filed within 60 days of the date of the qualifying event and becomes effective on the 1st pay period following the event or the date the form is signed whichever is later and upon the approval of the request.

You may change your election if you, your spouse, or a dependent experience an event listed below which results in a gain or loss of eligibility for coverage under the State of Vermont Health Care Flexible Spending Account Plan or Dependent Care Flexible Spending Account Plan or a similar plan maintained by your spouse's employer or one of your dependent's employer and your desired election change corresponds with that gain or loss of coverage. Changes are only allowed if one of the specific events listed below has occurred that caused the needed change in your account. Otherwise, your election is effective through the end of the plan year.

Events 1 - 3 apply to the Health Care Flexible Spending Account Plan and the Dependent Care Flexible Spending Account Plan.

1. Your legal marital status changes through marriage, divorce, death or annulment.
2. Your number of dependents changes by reason of birth, adoption (or placement for adoption), or death. If your child no longer qualifies for dependent care because he or she turned 13, then that is a loss of a dependent under the Dependent Care Flexible Spending Account Plan, but not under any of the other plans.
3. You, your spouse or any of your dependents have a change in employment status (termination, retirement, new employment, change from part time to full time or vice versa) that affects eligibility for health insurance, the Health Care Flexible Spending Account or the Dependent Care Flexible Spending Account with the State of Vermont or a plan maintained by your spouse's or any dependent's employer. Please see page 14 for specifics related to termination of employment from the State of Vermont.

Events 4 - 6 apply to Health Care Flexible Spending Account Plan, but not the Dependent Care Flexible Spending Account Plan.

4. You are served with a judgment, decree or court order, including a qualified medical child support order regarding coverage for a dependent. If the order requires you to pay for medical expenses not paid by insurance for a dependent child, then you may add or increase coverage under the Health Care Flexible Spending Account Plan. If the order requires that another person pay for medical expenses not paid by insurance for the dependent child, then you may drop or reduce coverage under the Health Care Flexible Spending Account Plan.
5. If you, your spouse or a dependent becomes entitled to and covered under Medicare or Medicaid, you may drop or reduce coverage under the Health Care Flexible Spending Account Plan.
6. If you, your spouse or a dependent loses eligibility and coverage under Medicare or Medicaid, you may add or increase coverage under the Health Care Flexible Spending Account Plan.

Events 7 - 9 apply only to the Dependent Care Flexible Spending Account Plan.

7. You may change your election to correspond with a change made under another employer-sponsored plan as long as the change made under the other plan was permitted by IRS regulations or was made for a period of coverage that is different from the State of Vermont Flexible Spending Benefit Plan.
8. You change dependent care providers (including school or other free provider). You may make a corresponding change to your Dependent Care Flexible Spending Account and your future salary reductions if you change dependent care providers.
9. You may make a corresponding change to your Dependent Care Flexible Spending Account and your future salary reductions if your dependent care provider who is not your relative changes your costs significantly. A relative is any person who is a relative according to Code §152(a) (1) through (8), incorporating the rules of Code §152(b) (1) and (2).

Your Salary Reduction amount for a pay period is, an amount equal to the annual contribution for your FSA election, divided by the number of pay periods in the Plan Year following your effective date. If you increase an election under the Health Care Flexible Spending Account Plan or Dependent Care Flexible Spending Account Plan, your salary reductions per pay period will be an amount equal to your new reimbursement limit elected less the salary reductions made prior to such election change, divided by the number of pay periods remaining in the Plan Year beginning with the election change effective date.

Any increase in your election may include only those expenses that are incurred during the period of coverage on or after the effective date of the increase. Your coverage for the remaining period of the year shall be calculated by adding the amount of contributions made prior to the change to the expected contributions after the effective date of the change and subtracting prior reimbursements.

TERMINATION/RETIREMENT

Termination of participation: Your participation will end on the last day of the pay period should you terminate employment or retire from the State of Vermont. This means you will no longer be able to make contributions to the plan. Should you return to work as an eligible employee within 30 days during the same Plan Year, your participation will be reinstated as it was. If you return after 30 days during the same plan year, you will have the option of reinstating your coverage at the same annual level you had prior to your termination or reinstating your coverage at the same per pay period amount with a reduced annual amount. Should you choose the same annual amount, your per pay period contributions will be adjusted so that your total contributions for the year will equal your annual coverage amount. You have 60 days after you return to work during the same Plan Year to make a new election for the remainder of the Plan Year (not to exceed the annual plan maximum). Except as specified in the section on Coverage Continuation (COBRA) in the Health Care Flexible Spending Account Plan Summary, expenses incurred while you are not a participant will not qualify for reimbursement. Participation in the Health Care Flexible Spending Account ends on the day of termination or retirement or on the date of your last paycheck with an FSA deduction. You may continue to file for Dependent Care expenses incurred during the Plan Year after the end of your participation.

FLEXIBLE SPENDING ACCOUNT CLAIMS

- Claims processed daily – within 1 day of receipt of qualified claim
- Fax or mail to ASIFlex:
1-877-879-9038
P O Box 6044
Columbia, MO 65205-6044
- Direct deposit is available for claims payment
- Direct deposit notices sent via E-mail or US Mail the same day payment is generated

- Go to www.asiflex.com for claim forms and personal account information

Allowable expenses must be incurred during the portion of the Plan Year that you are a participant. Claims must be filed by March 31st following the end of the Plan Year. After that, your account will be closed and any balance remaining will be forfeited to the State of Vermont in accordance with federal regulations. If March 31st is a holiday, Saturday, or Sunday, then claims must be filed by the first business day following March 31st.

You must submit a completed claim form along with **copies** of invoices or statements **from the provider** to serve as proof that you have incurred an allowable expense in order to receive payment. Statements are **required to include**, the **provider's name**, the **date(s) of service**, a **description of the service(s)**, and the **expense amount**. Copies of personal checks and paid receipts, without the above information, are not acceptable. Documentation or copies will not be returned. For over-the-counter supplies that do not require a prescription, the receipt or documentation from the store must include the name of the item pre-printed on the receipt. You must indicate the existing or imminent medical condition (items such as vitamins and nutritional supplements may require a physician's statement) for which the item will be used on the receipt, on the claim form, or on a separate enclosed statement each time these items are claimed. You will be provided with a supply of claim forms with your enrollment confirmation. Extra claim forms are available by contacting ASIFlex or over the Internet at www.asiflex.com.

Purchases for general good health will not be accepted. Claims for items that are purchased for an existing medical condition must be accompanied by a letter from your doctor stating the medical condition and the items that are required as treatment for that specific medical condition (if they would otherwise not qualify as a general good health item). A sample letter is available at www.asiflex.com. This letter can be used as support for 12 months from the date of the letter.

Direct deposit into the bank account of your choice is available for your claim payments. By using direct deposit you will not need to wait for a check to arrive and be deposited. A notice that a payment was made will be sent to you. This direct deposit notice is available by U.S. Mail or by **email** over the Internet. If you prefer, a check can be mailed to you instead of payment by direct deposit.

If you have unused funds at the end of the claims filing period, those funds are forfeited to the State of Vermont and used to a) offset over reimbursements to health care FSA participants who terminate employment mid-year and have been reimbursed more than contributed at that point in time and b) pay ASIFlex's administrative fees.

Sample Claim and Provider Documentation

This day care receipt contains the items the Internal Revenue Code requires:

1. It is signed by the provider of service - "*Ima Sitter*"
2. It contains a description of the services - "*day care services*"
3. It explicitly lists "*1-2-04 to 1-08-04*" as the range of the dates that the day care was provided.
4. It includes the amount charged for the day care "*\$300.00*"; not necessarily the amount paid.
5. It identifies the person for whom the day care was provided - "*Mike Riddick*"

Day care documentation must contain all of these items in order to be processed.

We must be able to identify the participant

CLAIM FORM

Please read requirements on reverse side

Riddick, John M.

ASI

111 — 22 — 4444

Last Name, First Name

Employer

Social Security Number

110 E. Ash St.

Columbia MO 65203

Street Address

City, State, Zip

Dependent Care Assistance (day care, babysitting, etc.)

Name of Dependent	Age	Service Period From To	Name, Address and Taxpayer ID number of provider of service	Charge for Services	ASI use only
<u>Mike</u>	<u>10</u>	<u>1/02 1/08</u>	<u>Ima Sitter, 123 Main St. Columbia MO 65203 123456789</u>	<u>300.00</u>	
Total Dependent Day Care Claim				<u>300.00</u>	

I provided the dependent care as stated above

Care Provider's original signature

Date

SSAN/Tax ID#

Medical Benefits

Date Care Provided*	Name of Service Provider	Expense Description	Name and relationship of Person for whom expense incurred	Amount that is your responsibility	ASI use only
<u>01/05/04</u>	<u>I William See, M.D.</u>	<u>Eye Exam</u>	<u>Mary - daughter</u>	<u>10.00</u>	
Total Medical Amount Requested				<u>10.00</u>	

Please arrange documentation in order listed above.

*Claims for future services will not be accepted.

The undersigned participant in the Plan certifies that all expenses for which reimbursement or payment is claimed by submission of this form were incurred during a period while the undersigned was covered under his/her employer's Flexible Spending Plan with respect to such expenses and that the expenses have not been reimbursed and are not reimbursable from any other source. Any Dependent Care Assistance expenses claimed here were provided for my dependent under the age of 13 or for a dependent who is incapable of self care. The undersigned fully understands that he or she alone is fully responsible for the sufficiency, accuracy, and veracity of all information relating to this claim which is provided by the undersigned, and that unless an expense for which payment or reimbursement is claimed is a proper expense under the Plan, the undersigned may be liable for payment of all related taxes including federal, state, or local income tax on amounts paid from the Plan which relate to such expense.

John M. Riddick
 Employee Signature

01/08/04
 Date

The participant must sign the claim form.

Every request and all documentation must contain all the items shown in blue

I provided day care services for Mike Riddick

From 1/02/04 to 1/08/04. The total sum for
services provided was \$300.00.

Signed Inna Setter

Ina Sitter
123 Main Street
Columbia, MO 65203
SSN 123-45-6789

Separate dependent care documentation is not required if the provider signs the form after the dependent care section is completed.

<p>I. William See, MD Ophthalmology 2020 Seymour Crystalview, MO 65201</p>		
Service Date	Description	Charge for Services
01/05/04	Eye Exam	\$10.00

Patient's Name Mary Riddick

This health care service statement contains the items the Internal Revenue Code requires:

1. It identifies the provider of service - "I. William See, MD"
2. It contains a description of the services - "Eye Exam"
3. It explicitly states the date of the eye exam - "1/03/04"
4. It includes the amount charged for the exam "\$10.00"; not necessarily the amount paid at the time of service.
5. It identifies the person receiving the eye exam - "Mary Riddick"

Medical documentation must contain all of these items in order to be processed.